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SUBJECT: DOMINICAN TRANSITION # 3: SIDES ENGAGE ON IMF AND
TAX REFORM; EMBASSY SPENDS A DAY WITH THE INCOMING
ADMINISTRATION

REF: A. SANTO DOMINGO 3313

[1](#)B. SANTO DOMINGO 3358

[1](#)1. (U) This is cable no. 3 in our series on the transition
to a new administration in the Dominican Republic.

SIDES ENGAGE ON IMF AND TAX REFORM

Fiscal reform, necessarily the hot topic

As the power outages continue and the balance sheets show more red than black, the Dominican Republic is faced with the critical need for fiscal reform sooner rather than later. At a full day PLD-Embassy transition conference on June 17, PLD transition leader Danilo Medina confirmed that President-elect Leonel Fernandez and President Hipolito Mejia will meet for a mini-summit on Tuesday, June 22, under the benevolent sponsorship of Msgr Agripino Nunez, rector of the catholic university PUCCMM. They will announce the joint initiative to have a fiscal reform package to Congress no later than July 15. An IMF technical advisor arrived in the country on June 21 to assist the PLD and PRD teams in preparing a reform package that will satisfy both sides and comply with the terms of the IMF agreement. In effect, the PLD is already negotiating with the Fund.

The technical teams for both parties are experienced and realize the gravity of the situation. They met three times at a senior level, and for almost a week the mid-level technicians from Finance and the Presidency have been working directly with the PLD to elaborate a proposal to discuss with the Fund. The aim is to have a proposal ready by July 10 and for President Mejia to forward the PLD plan to Congress on July 15th. Daniel Toribio, former finance minister in Fernandez's first administration and one of the key PLD transition committee members, told us that fiscal reform, "is a political problem and nothing else. The numbers are there, we have to make it work." Carlos Despradel, PRD Technical Secretary of the Presidency, says that the PLD now

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understands the extent of the fiscal challenge.

Monsignor Agripino Nunez will be the mediator at the mini-summit on June 22. Behind the scenes, former Spanish President Felipe Gonzalez, the Spanish Ambassador, the EU Representative, and Ambassador Hertell have played significant roles in bringing the two sides together.

EMBASSY SPENDS A DAY WITH THE INCOMING ADMINISTRATION

On June 17 the Ambassador hosted a day-long conference at his residence between the PLD transition team with its advisors and the staff of the Embassy. Medina's announcement to us of the plans for the PLD/PRD mini-summit came at the kickoff breakfast. The PLD transition team leaders (Medina, Montas, Toribio, Puig, Morales Troncoso, Pena Guaba, Gonzalez Espinoza and Protá - reftel A), the Ambassador and Emboffs started the day with a discussion of common interests, the need to look forward now (rather than wait until August 16) and a reiterated offer by the Embassy to help bring the PLD and PRD together on difficult issues.

After the breakfast, the conference continued with a morning schedule of three hour-long meetings to share USG priorities and perceptions with PLD leaders on the following areas: 1) Trade issues/Macroeconomic Issues/D-CAFTA, 2) Anti-corruption and Judicial sector issues, 3) Consular Issues and Trafficking in Persons. A mid-day lunch allowed the PLD transition team and emboffs to recap the morning's topics and discuss the USG position on human rights. The afternoon session included expanded exchanges on: 1) Military, Law Enforcement and Counter-terrorism issues, 2) Energy, and 3)

Social Responsibility issues (Health, Education and the Environment).

Our invitation to the conference had pressed the PLD to name working level members for each of the group discussions, which it did. On average, the meetings consisted of 18 PLD members per subject meeting, four members of the core PLD transition team, the Ambassador and eight Emboffs. Some 85 Fernandez people attended all or part of the sessions. Most of the PLD attendees have prior government experience.

The conference also accomplished USG goals of sharing our priorities and concerns on each topic, establishing working links and pledging follow-up meetings in each area. In addition, the PLD experts educated their own PLD transition team in many areas, most prominently during the social responsibility meeting on education, health and the environment.

During the macroeconomic session, Julio Ortega asked if the USG would provide a USD 25 million cushion for fuel financing, to ease the situation for the poor. Emboffs responded that the request might be given consideration after the Dominican Republic got its house in order with the IMF. During the discussion on law enforcement and counter-terrorism, former national police chief Euclides Gutierrez Feliz noted the importance of the USG third border initiative and asked for information on security guidelines under this program. Emboffs will provide information as well as port and airport security guidelines.

In the anti-corruption meeting, Onofe Rojas mentioned the aim of PLD leaders to combat corruption, echoing the sentiments of the new Secretary General of the OAS in stating that, "corruption is the cancer of Latin America."

Numerous PLD attendees approached Emboffs to thank us for the opportunity to discuss the issues and provide them with contacts and a "jumping off point" for continued collaboration. Throughout the day, and especially in the Economic, Anti-corruption and Military/Law Enforcement meetings, the PLD attendees expressed appreciation for the early opportunity to confirm that the PLD and the USG share many of the same goals. Max Puig, one the PLD core transition team members who attended every meeting, approached the DCM to express his "sincere appreciation for U.S. efforts to make the transition in the Dominican Republic the best one ever."

What's next?

Short term, the next priority for the PLD transition team is the June 22 mini-summit. Medina told us that Fernandez had specified that the summit needs to be, "more than a photo opportunity," which it should be with the public announcement of the fiscal reform pledge. The PLD will also have to confront the ever worsening electricity situation (septel to follow) in order to keep the lights on in the country. Finally, the PLD will have to continue to work at the technical level with their PRD counterparts, keeping in check any impulses for mutual blame in order to ensure that there is an adequate transfer of information and an otherwise smooth transition from one administration to the next. The Embassy will build on the transition conference, moving to smaller group meetings with PLD counterparts on specific issues. At all levels we will seek out the names of potential nominees to key positions, pointing out the dangers and potential repercussions of naming less than desirable candidates to head ministries or agencies. We will reemphasize our offer to bring the PLD and PRD together when needed. Finally, we will continue to work closely with the current administration to keep programs on track and encourage cooperation between the outgoing and incoming administrations.

12. (U) Drafted by Angela Kerwin.

13. (U) This report and others in the series are available on our SIPRNET site at <http://www.state.sgov.gov/p/wha/santodomingo/> along with extensive other material.

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